

E-017/M-90-1018 ORDER APPROVING RENEWAL OF CONTRACT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of Otter Tail
Power's Request for Approval of
Renewal of Its Contract with
Mid-America Dairymen, Inc. Under
Its Proposed Tariff Entitled
Competitive Rate Schedule -
Large General Service

ISSUE DATE: February 25, 1991

DOCKET NO. E-017/M-90-1018

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PROCEDURAL HISTORY

On October 22, 1990, the Commission issued its ORDER REQUIRING NEW TARIFF AND CONTRACT FILINGS. In the Matter of Otter Tail Power Company's Request for Approval of Two New Contracts on its Bulk Interruptible Service Rate, Docket No. E-017/M-89-436; In the Matter of Otter Tail Power Company's Request for Approval of a Modification of its Bulk Interruptible Service Tariff, Docket No. E-017/M-89-529; In the Matter of Otter Tail Power Company's Request for Approval of Renewal of an Amended Bulk Interruptible Service Contract, Docket No. E-017/M-89-1130, October 22, 1990. In that Order the Commission ordered Otter Tail Power Company (Otter Tail or the Company) to file a new bulk interruptible service tariff which conformed to the provisions of Minn. Stat. § 216B.162. This statute, which had only recently been enacted, had allowed electric utilities to offer competitive rates under certain conditions to customers subject to effective competition. The October 22 Order also required the Company to bring all existing bulk interruptible service contracts into conformity with the new tariff.

On November 26, 1990, the Company submitted a compliance filing in response to the Commission's October 22 Order. In the Company's filing it proposed new Competitive Rate Schedule-Large General Service, to replace its bulk interruptible service tariff. The Company also submitted two contracts for Commission approval, one a renewal with Mid-America Dairymen, Inc. (Mid-America) and one a new contract with Quadrant Company. Perham Ag Processing and Research Center, the other entity which had been on a former bulk interruptible service tariff, did not sign an amended contract under the proposed new tariff.

On December 24, 1990, the Commission issued its ORDER CLOSING DOCKETS in the aforementioned three dockets. In this Order the Commission stated that thorough consideration of the Company's proposed new tariff would require separate review under a new docket. The Commission also stated that each of the three contracts under consideration would also require a separate docket number. For these reasons the Commission closed the old dockets and assigned a new docket number for consideration of the proposed new tariff and for each of the three contracts. The request for approval of renewal of the Mid-America Dairymen, Inc. contract was assigned Docket No. E-017/M-90-1018, the docket number herein.

The Commission sent a Notice of Commission Meeting and Request for Comments and Reply Comments regarding the new dockets to interested parties on December 17, 1990. The Department of Public Service (the Department) and the Residential Utilities Division of the Office of Attorney General (RUD-OAG) submitted responsive comments on January 17, 1991. The Department filed further reply comments on January 25, 1991. Otter Tail submitted reply comments on January 28, 1991.

The Commission met to consider the matter on February 13, 1991.

FINDINGS AND CONCLUSIONS

The Commission finds that Otter Tail's proposed contract with Mid-America under the new competitive rate tariff is reasonable and appropriate and should be approved. The proposed contract conforms to the Company's competitive rate schedule, which the Commission is approving in a separate docket, and to the competitive rate statute under which the schedule was drafted.

The Commission will require only one modification to this contract. The contract as submitted contained only one energy rate, although the Company will experience different on-peak and off-peak costs. This means that at times the Company could be recovering less than its on-peak marginal costs. The Commission notes that both the competitive rate statute and the Company's proposed competitive rate tariff state that the minimum rate shall reflect any applicable difference in on- and off-peak costs. To guarantee that the minimum energy rate charged to Otter Tail customers will at least recover the incremental cost of providing service during the on-peak period, the Commission will require that the Mid-America contract be modified to state that the Company's minimum energy rate must equal or exceed its on-peak energy rate.

ORDER

1. Otter Tail Power Company's contract with Mid-America Dairymen, Inc. is approved, with the following modification: the contract shall state that Otter Tail's minimum energy rate must equal or exceed its on-peak energy rate.
2. Within 30 days of the date of this Order, Otter Tail shall file the contract with Mid-America Dairymen, Inc., with the above modification, for inclusion in its tariff book.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

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